

Illinois Department of Healthcare and Family Services Fiscal Year 2015 Budget Overview



March 26, 2014

**Pat Quinn, Governor
Julie Hamos, Director**

HFS Mission

- To empower Illinoisans to lead healthier and more independent lives through the “Triple Aim” by improving the quality of healthcare, improving health outcomes and reducing the growth in healthcare costs; and
- To enhance children’s well-being and families’ self-sufficiency by establishing and enforcing child-support obligations.

Medical Programs FY 2015 Goals

- Redesign the Medicaid healthcare delivery system
- Implement the Affordable Care Act (ACA)
- Rebalance the long-term care system
- Continue program integrity initiatives
- Manage Medicaid budget growth

Providing Healthcare Coverage

- HFS is the largest insurer in Illinois
- Current Medical Programs Enrollment (11/30/13): 2.76 million*
 - Children: 1.60 million
 - Seniors: 182,700
 - Adults with Disabilities: 261,800
 - Other Adults: 634,500
 - ACA Adults: 80,600 (County Care)

** Excludes enrollees in partial benefit programs*

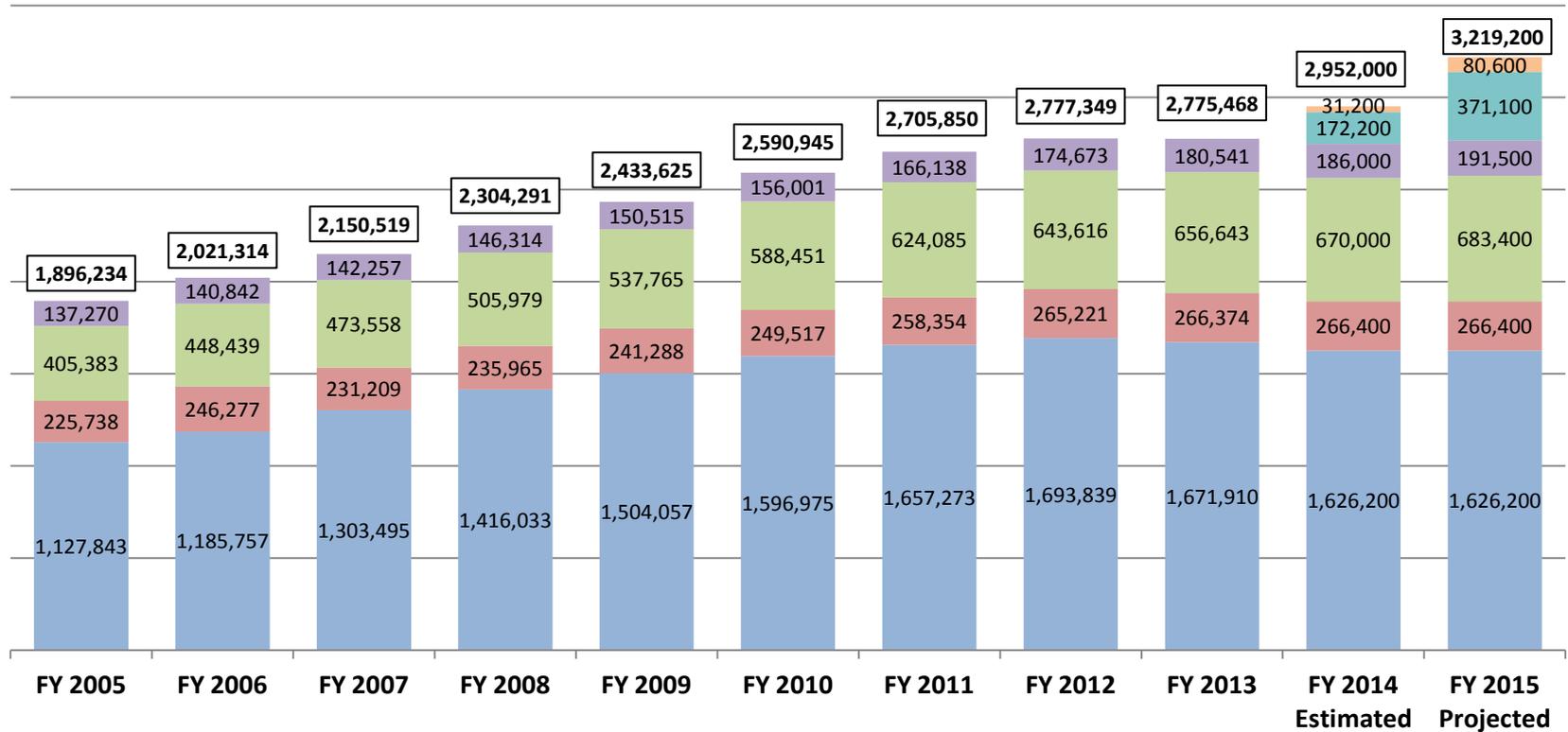
Implementing ACA

- Originally estimated 509,000 enrollees post-ACA by 2017, but current surge of enrollment is higher than anticipated
- HFS is implementing ACA physician rate adjustments at 100% federal match from January 2013 to December 2014 -- \$638 million will be distributed to providers in FY 2014
- First phase of new Integrated Eligibility System (IES) – with online application “ABE” -- implemented with 90% federal match

ACA Enrollment

- Federal government will pay 100% for Medicaid clients who are newly eligible for three years, then phase down to 90% by 2020
 - 350,000 estimated enrollment by the end of FY 2014
 - 385,000 projected enrollment by the end of FY 2015
- Federal government will pay 50% (current Medicaid 50/50 split) for Medicaid clients who are already eligible, but have not yet applied
 - 80,000 estimated by end of FY 2014 – in addition to historical enrollment
 - 85,000 projected additional enrollment by end of FY 2015

Medical Programs Average Enrollment



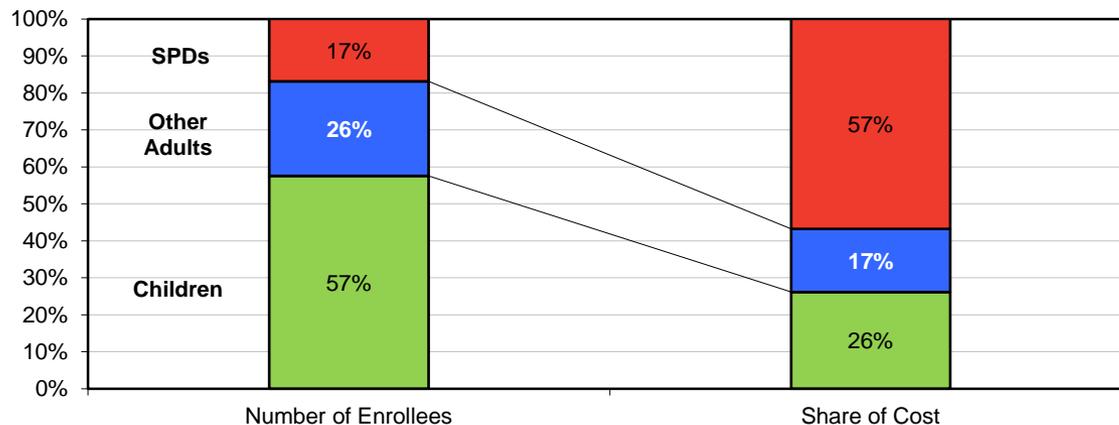
Existing eligibles enrolling post ACA ACA new eligibles Seniors Other Adults Adults with Disabilities Children

Reflects average annual enrollees

Excludes enrollees in partial benefit programs

Small % of Medicaid Clients Incur Majority of Medicaid Costs

17% of recipients who are Seniors and Persons with Disabilities (SPD) result in 57% of Medicaid costs (all agencies) – they have most complex health/behavioral health needs



Medicaid costs are driven by the number and type of recipients (eligibility rules), their service utilization patterns and the established reimbursement methodologies for those services.

Status of Care Coordination Initiatives

- Goal is to fulfill state mandate to have 50% of clients in care coordination by January 1, 2015
- Began with the most complex, most expensive clients: Seniors & Persons with Disabilities (SPDs)
 - By September 2014, will have all SPDs in care coordination
 - Will have contracts with 8 Managed Care Organizations (MCOs), 6 Care Coordination Entities (CCEs), 1 Managed Care Community Network (MCCN)
- Made three awards to CCEs for children with complex health needs

Status of Care Coordination Initiatives

- Worked on CountyCare waiver to early enroll newly eligible Cook County adults (“ACA adults”) – throughout 2013
- 10 Accountable Care Entities (ACEs) expected in FY 2015
 - Will manage large populations of children, their family members and ACA adults
 - Will create robust network of primary care providers, specialists, hospitals and behavioral healthcare services
 - Will build infrastructure to support care-management functions among the providers in the network
 - Will move toward full-risk payments in three years

Rebalancing the Long-Term Care System

- Focus on service integration around individual needs
- Balancing Incentive Program (BIP) award, with enhanced federal match, will increase community capacity
 - \$19.5 million included in HFS' FY 2015 budget request
- Nursing home reimbursement system has been modernized

Continuing Program Integrity Efforts

- Quinn Administration has made it a priority to root out Medicaid waste, fraud and abuse
- State verifies eligibility through data matching
 - Secretary of State driver's license and state identification data
 - Social Security Administration data
 - Automated Wage Verification System data
 - DHS' SNAP and cash assistance data
 - HFS' child support data
 - IL Department of Revenue tax records
 - The Work Number – Income verification service vendor
- State enhanced the annual redetermination process with assistance from Maximus

Office of Inspector General (OIG)

- OIG's mission is to prevent, detect and eliminate fraud, waste, abuse, mismanagement and misconduct in HFS programs
- Fraud Prevention Investigation (FPI) program ensures only those eligible for Medicaid receive benefits
- Long-Term Care Asset Discovery Investigations (LTC-ADI) uncover undisclosed assets and improper asset transfers in the long-term care program
- OIG collects overpayments and seeks sanctions of providers through audits, peer reviews, civil/criminal investigations and advanced data mining

Managing the Medicaid Budget

- Health care inflation is a national issue
 - General health care expenditures have been growing about 4%
 - State Medicaid programs have been growing slightly more than 2% the past couple years
- Illinois base Medicaid costs grew by an average of 6.3% per year from FY 2007 to FY 2011

Managing the Medicaid Budget

- Base Medicaid costs were relatively flat in FY 2012
- Base Medicaid costs declined approximately 6% in FY 2013 (SMART Act)
- HFS projects base Medicaid liability growth (excluding ACA impact and other program modifications) of 2% in FY 2015
- Medicaid budget requires constant attention

Managing the Medicaid Budget

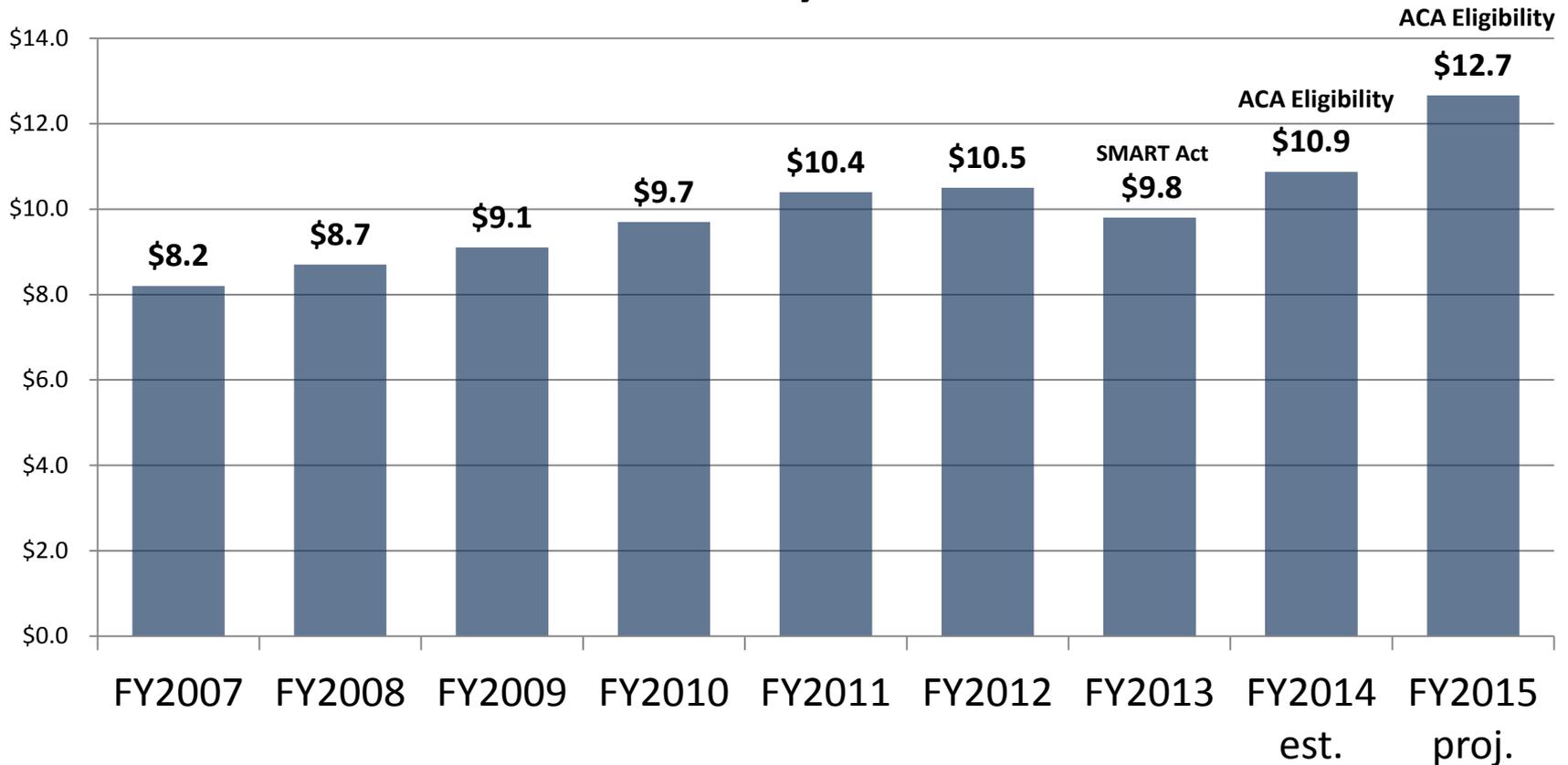
- Section 25 statutory caps:
 - Require payment of GRF and related fund medical bills received by June 30th from current year appropriations
 - Eliminate long “budgeted” payment cycles – cannot push large amounts of unpaid medical bills into future fiscal years
- HFS is generally processing GRF-related bills to the Comptroller in less than 30 days

Managing the Medicaid Budget

- FY 2015 introduced budget will allow HFS to continue meeting the Section 25 caps
- GRF cash-flow payment delays will likely continue
- With Section 25 caps, Governor and General Assembly imposed discipline on spending within Medicaid budget

Historical Medical Programs Liability GRF and Related Funds

Total Liability in Billions



Child Support Services

- Division of Child Support Services (DCSS) serves both families who receive TANF and Medical Assistance and families who are not receiving government assistance, but still need child support services
 - In FY 2013, for the ninth straight year, the Department achieved collections of more than \$1 billion, with a total of \$1.38 billion – most of it passed on to families
- Child Support services are authorized under Title IV-D of the federal Social Security Act, state law and administrative rules

Child Support Services

- DCSS costs are mainly driven by increases in staffing expenses since child support services functions are administrative in nature
- FY 2015 budget assumes that only 14 cents of every child support services operational dollar comes from GRF; remaining resources include:
 - retained child support collections from clients receiving TANF grants
 - federal performance incentives -- \$15.3M for improved performance in FY 2012
 - federal match -- 66% match rate

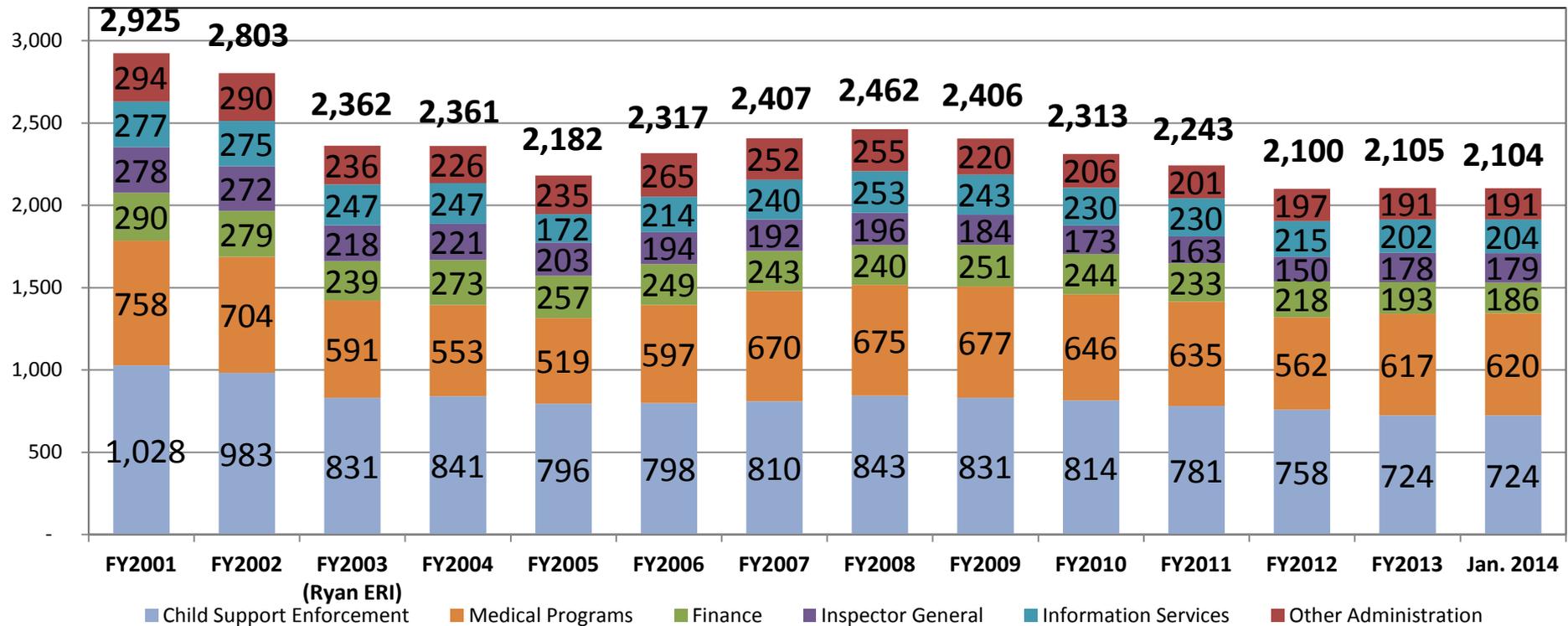
DEPARTMENT OF HEALTHCARE & FAMILY SERVICES
PROGRAM AREA APPROPRIATIONS COMPARISON
(Dollars in Millions)

Total By Program	<u>All Funds*</u>		
	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Change</u>
Medical Assistance	\$18,981.0	\$19,138.1	\$157.1
Child Support Services	212.7	259.6	46.9
Program Operations	297.6	268.7	(29.0)
Cost Recoveries	42.8	43.5	0.7
Inspector General	23.3	32.6	9.2
Total	<u>\$19,557.5</u>	<u>\$19,742.5</u>	<u>\$185.0</u>

<u>General Revenue Fund*</u>			
Medical Assistance	\$6,965.8	\$7,039.0	\$73.2
Child Support Services	0.0	32.2	32.2
Program Operations	72.8	57.1	(15.6)
Inspector General	0.0	6.7	6.7
Total	<u>\$7,038.6</u>	<u>\$7,135.1</u>	<u>\$96.5</u>

* In FY2014, the General Assembly appropriated GRF Operations, including the Inspector General and the Child Support fund deposit, from a lump sum appropriation which is reflected in Program Operations. The FY2015 budget assumes operations costs are budgeted in the legacy appropriation lines.

Historical On-Board Headcount: Serving More Clients With Fewer Employees



HFS on-board headcount has decreased by 28%, or 821 staff since FY 2001, while enrollment in medical programs has increased 90% (1.3 million clients) and cases for which the Division of Child Support Services receives collections has grown by 54% (75,800 cases)